



ខេមាមីក្រូហិរញ្ញវត្ថុលីមីតធីត

CAMMA MICROFINANCE LIMITED

## ANNUAL REPORT 2010



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# CAMMA MICROFINANCE LIMITED

## DESCRIPTION OF CAMMA

### Background of CAMMA

To alleviate the poverty and to develop the economy of the nation, it is necessary for the people to have the careers, to run household businesses or small or medium enterprises according to their capacity, techniques and experiences. However, the people usually face difficulties in accessing to the source of capital to establish and expand their businesses. Such issues result in increase of MFIs and the loans of 1,247,773 million riels (roughly US\$ 300 million) have been granted to around 878,559 borrowers<sup>1</sup>. Nevertheless, the microfinance sector has not sufficiently fulfilled the needs of the people living under poverty line that account for approximately 4 million people.

Because of this issue, a group of shareholders have cooperated with each other to establish a new microfinance institution called CAMMA MICROFINANCE LIMITED with the registered capital of USD 200,000, and it was registered at the Ministry of Commerce on 06 April 2010 and licensed by the National Bank of Cambodia on 29 July 2010. On 29 December 2010, CAMMA increased its capital up to USD350,000.

### Camma's Name and Identity

In Khmer context, the word "CAMMA" means "well-being". Well-being is a core factor that our institution is keeping in mind because the well-being of the clients means the well-being of our institution as well as of the society as a whole.

The identity of CAMMA is inscribed with a head of golden phoenix carrying a stem of paddy by its beak surrounded by letter C symbolizing the word CAMMA with yellow, grey and green colors. Under the golden phoenix head, the red Khmer scripts as ខេមាមីក្រូហិរញ្ញវត្ថុ and English scripts as CAMMA MICROFINANCE are inscribed.

<sup>1</sup> Annual Financial statement 2009 of Cambodia Microfinance Association

The golden phoenix's head represents the cash and the potential of providing reliable loans to the people. The stem of paddy symbolizes the agricultural produces and diversified businesses of the people who obtain the loans from Camma Microfinance Limited. The green color symbolizes the natural environment and the growth of businesses of the clients and the institution. The yellow symbolizes the creativity and the common sense of the staff. The light grey between the yellow and the green symbolizes the closest interaction between the institution and the clients and the red color symbolizes the courage of the staff in providing the microfinance service to the clients to bring about the prosperous living standard to the clients

### **Vision**

Become a reliable microfinance institution which provides the Cambodian people with opportunities to improve their livelihoods through accessing the loans from Camma Microfinance Limited.

### **Mission**

To efficiently and sustainably provide a wide variety of microfinance services to entrepreneurs of small and medium enterprises who are the farmers, handicrafts and business persons and ensure great benefits for shareholders, staff and the society as a whole.

## Target Markets

CAMMA's target markets are the Cambodian people who wish to be entrepreneurs of small and medium enterprises within every sector of the national economy.



## Services

In response to different needs of the people in various areas, the loan services are divided into two types, including guarantying group loan services and individual loan services.

## Guarantying Group Loans

This type of loans is granted to the people and clients who have low or lowest living standards and have careers in agricultural sector such as farming, animal raising and other small businesses relevant to agriculture in particular. The guarantying group must comprise 2 to 5 members lead by a group leader. This guarantying group is divided into two, including the guarantying groups with collateral and the guarantying groups without collateral.

GUARANTYING GROUP WITH COLLATERAL			
Loan Amount	Term	Interest rate	Duration
200,000 riels - 1, 000,000 riels	Term 1	4%	6 - 12 months
1,100,000 riels-1,500,000 riels	Term 2	3.5%	6 - 12 months
GUARANTYING GROUP WITHOUT COLLATERAL			
Loan Amount	Term	Interest rate	Duration
200,000 riels-400,000 riels	Term 1	4%	6 - 12 months
410,000 riel - 600,000 riels	Term 2	3.5%	6 - 12 months
610,000riels-1,000,000 riels	Term 3	3%	6 - 12 months

## Individual Loans

Loan Amount	Interest rate	Duration
USD100-USD1,000	3%	6 - 12 months
USD1,001- USD2,500	2.5%	12 - 24 months
USD2,500-USD4,000	2.3%	12 - 24 months
USD4001-USD7,500	2%	12 - 24 months
USD7,501- USD10,000	1.9%	12 - 24 months

## Message from President of Board of Director

2010 was the first year when CAMMA commenced its operation and also the year when the national economy appears to grow up slightly after suffering from the global economic crisis in 2008. In 2010, the national economy grew up to 5% higher than the expectation due to the increase of 10% in tourism, 15,5% in textile, 8.1% in direct foreign investment and 5% in agriculture. In addition, the bank and microfinance sectors have risen up remarkably. During this year, there were three large banks coming to invest in Cambodia, namely CIMB, Bank of China and Vietnam Agriculture and Rural Development Bank (Cambodia)<sup>2</sup>. The number of licensed microfinance institutions also increases 5 more institutions, and amongst these institutions, Camma Microfinance Limited was licensed on 29 July 2010.

Through lessons learnt from the global economic crisis, CAMMA which is a new microfinance institution concentrates sufficient attention on its operation. We embrace a strategy of increasing quality of loans rather than increasing quantity or size of loans. Our credit agent's must thoroughly evaluate and follow up each loan. They are not only the evaluators, but also the consultants for the clients in order to use the loan capitals for the right purposes for the sake of improvement of the clients' businesses as well as the improvement of households' livelihoods and the social economy as a whole. Therefore, the staffs are the CAMMA's most valuable resources that we have to focus full attention to developing them to ensure sufficient capacity and excellent services for the clients.

On behalf of Board of Directors of Camma Microfinance Limited, I would like to express my profound thanks to the management and all staff of CAMMA who have made great efforts with Camma to deal with every difficult circumstance during this commencement. I would also like to deliver my grateful thanks to the National Bank of Cambodia for guidance, support and understanding of our institution which is currently on operation. Finally, I would like to convey my sincere thanks to all shareholders who

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<sup>2</sup>Speech of H.E. CheaChanto, Governor of National Bank of Cambodia, in the meeting of SEACEN EXCO dated 19 January 2011.

have firm trust in CAMMA's operation to provide loans to people as well as to contribute to development of national economy.

Sincerely Yours,

**BENSON Samay**

President of Board of Directors



## Message from Chief Executive Officer

Camma Microfinance Limited was on operation in mid-August 2010. The main objective of CAMMA is to provide opportunities to Cambodian people to be capable of becoming the entrepreneurs who can initiate the household businesses or small and medium enterprises in all sectors of the national economy so as to improve their living standards as well as to contribute to the development of the country.

Five months upon receipt of license, the institution has started its loan operation and granted loans to people, including farmers and businesspersons living in Phnom Penh which accounted for 23 households and 17 households in Kandal province with total loan of USD140,332. Amongst the said clients, 16 are females and 24 are males. The CAMMA's loan balance has increased from USD2,000 in August up to USD140,332 in December 2010. Even though this loan balance has remarkably increased, CAMMA's profit after paying tax is still showing a sign of negative.

The issue above is solved in 2011 by increasing the potential of loan disbursement through expanding the broader operational areas that cover all quarters in Phnom Penh and some other provinces such as Kandal, Takeo and Kampong Speu in order to provide the loan service to the people as fast as possible. Further trainings are provided to the credit officers aiming at ensuring sufficient quality and efficient work performance.

Through these strategies, we are required to access the capital source with low rate. In response to this requirement, every shareholder has to continue to invest more capital. Obviously, in late 2010, the shareholders invested additional capital from USD200,000 to USD350,000. Moreover, CAMMA has been seeking other sources of low interest loans to maintain its financial sustainability and to expand the scope of its operation.

We firmly believe that through this great effort, sufficient attention and supports from the clients, shareholders, staff and all public servants, CAMMA will possibly achieve the fruitful and positive results at the mid-2011.

On behalf of all shareholders, I would like to extend my profound thanks to officers and staff of the National Bank of Cambodia, ministries, departments concerned and all clients of CAMMA. The attention, tolerance, understanding, assistance and cooperation from all of you help our institution to confidently stand up and step forwards with other competitors. Meanwhile, I would also like to deliver my most grateful thanks to all staff of CAMMA who have tried all of their best in terms of physical and emotional efforts to found this institution and as a firm pillar of the institution.

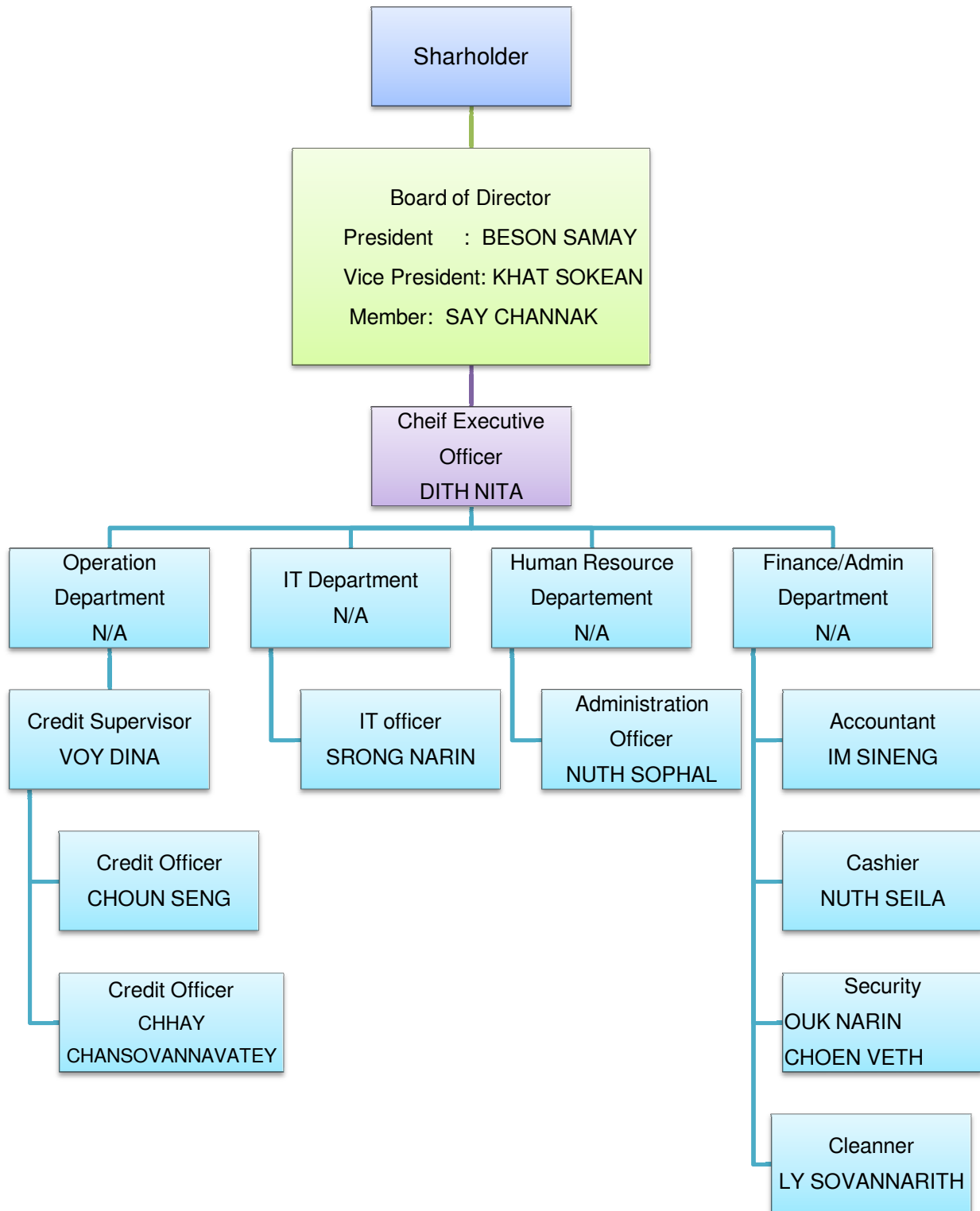
Sincerely Yours,

**DITH Nita**

**Chief Executive Officer**

# OWNERSHIP AND GOVERNANCE

## Organizational Structure



## Shareholders

As of the end of 2010, CAMMA has the total capital of USD350,000 and comprises 2 shareholders, LokChomteav OU San and Mrs. DITH Nita.

Shareholders	Investment in USD	Percentage of Capital
H.E. OU San	210,000	60%
Mrs. DITH Nita	140,000	40%
Total	350,000	100%

## Board of Directors and the Management

**H.E. BENSON Samay**, President of Board of Directors

- Bachelor of Law and Economic Science, Phnom Penh of Cambodia
- JD from George Mason University Washington D.C (School of Law)
- Notary in the Kingdom of Cambodia
- 20 years of experiences in legal and social sector in the Kingdom of Cambodia

**Mrs. KHAT Sokean**, Vice-President of Board of Directors

- Master of Finance, Panassastra University of Cambodia (PUC)
- Bachelor of Finance and Banking, National University of Management
- Bachelor of Management Information System, National University of Management
- ABAC Accountant - Delegation of the European Union in Cambodia
- 05 years of experiences in accounting and finance in the Kingdom of Cambodia

**Mrs. SAY Channak**, Member of Board of Directors

- Bachelor of Management Information System - National University of Management
- Bachelor of Hotel and Tourism - National University of Management
- 05 years of experience in Public Relation, Marketing and Finance in the Kingdom of Cambodia

**DITH Nita**, Chief Executive Officer

- Master of Financial Management - Australia National University
- Bachelor of Commerce with honor - Australia National University
- Bachelor of Commerce major in Accounting and Finance - Australia National University
- 02 years of experience in Business Administration in the Kingdom of Cambodia

## **Report of Board of Directors**

Board of Directors has honor to submit the annual report and financial statement of Camma Microfinance Limited (hereinafter referred to as CAMMA) for the financial period from 01 August 2010 (the date of Camma's initial operation) to 31 December 2010.

### **Principle Activity**

The principle activity of CAMMA is to carry out the microfinance transaction in the Kingdom of Cambodia. This financial service include loan for establishing and expanding of the people in all level.

### **Brief Result**

The financial result of the Camma for the closing financial period of 31 December 2010 is as follows:

	2010 December 31 As at	
	Unaudited	
	USD	KHR'000
<b>Assets</b>	324,091	1,313,543
<b>Loan to Customers</b>	142,036	568,765
<b>Liabilities</b>	53	214
<b>Paid up Capital</b>	350,000	1,418,550
<b>Capital Shares</b>	350,000	1,418,550
<b>Loss before tax /Profit</b>	(25,927)	(105,082)
<b>Income Tax Expense</b>	(35)	(141)
<b>Current Year Loss /Profit</b>	(25,962)	(105,223)

### Dividend for Shareholders

CAMMA has no dividend for the shares declared or paid this year.

### Capital

On 29 July 2010, CAMMA had registered capital of USD 200,000.00 and on 30 November 2010, CAMMA added the capital of USD 150,000. Therefore, for the financial period of 31 December 2010, CAMMA had the total capital of USD 350,000.

### Capital Guarantees

According to the National Bank of Cambodia's law, Camma's capital guarantee have increased from USD 10, 000 to USD 17,500 at the end of financial period 31 December 2011.

## **Doubtful Loan and Loan Arrear**

To the date of issuing this report, CAMMA has had no late or bad loans. Therefore, for the financial period of 31 December 2010, CAMMA has not had any provision for the doubtful loans outstanding within the financial statement.

## **Current Assets**

Before the financial statement of the company had been prepared, the Board of Directors had taken actions on the appropriate basis to claim that the price of current assets, except for the liabilities specified within the bookkeeping of the company and cannot be sold out in normal business operation, must be reduced to a certain rate that can actually be sold out.

On the date of issuing this report, the Board of Directors has not known any information relative any events that may affect the determination of price of the current assets within the report of the company or may lead to inappropriateness.

## **Evaluation Methods**

To the date of issuing the report, the Board of Directors is not aware of any information relevant to any event that affects the implementation of the existing method leading to inappropriate or wrong estimate of the price of assets and fixed assets within the financial statement of the company.

## **Contingent Liabilities and Other Fixed Assets**

On the date of issuing this report, there is no:

- Mortgage of any asset of the company occurred at the end of the financial period for guarantying the debt of any person or
- Contingent liability happened to the company from the end of the financial period except for the normal business operation of the company. According the views of the Board of Directors, there is no any contingent liability or other fixed assets of the company shall be obliged to implement or may be obliged to



implement within 12 months after closing the list of financial period which will affect or significantly affect the company's ability to fulfill its obligations on the due date.

### **Changing of events**

On the date of issuing this report, the Board of Directors has not known about any events which have not been mentioned in this report or in the company's financial statement which may result in incorrectness of any figure shown in the financial statement.

### **Irregularities**

Pursuant to the opinions of the Board of Directors, the result of CAMMA's operation during this financial period has not been affected by any factor or business transaction or event which is considered unusual.

The Board of Directors also mentioned that during the period from the end of the financial period to the date of making this report, there has not been any classification of the operation activities or any event deemed significant or unusual which may affect the result of the operation of CAMMA during the financial period when this report was prepared.

### **Members of Board of Directors**

The CAMMA's Board of Directors consists of:

<b>H.H. BENSON Samay</b>	President	(as appointed in the statute)
<b>Mrs. KHAT Sokean</b>	Vice-President	(as appointed in the statute)
<b>Mrs. SAY Channak</b>	Member	(as appointed in the statute)

### **Advantages of Board of Directors**

Up to this financial period, CAMMA has never entered into any agreement as a party in the purpose to support the Board of CAMMA in order to gain the advantages

through buying shares or debentures from CAMMA or any other entities. The Board of Directors has been provided with remunerations as specified in CAMMA's internal regulation through meetings related to CAMMA's development and changing, according to the number of meetings.

### **Comparative Value**

This financial statement is a report prepared since the company has started its business operation,soit consists of no comparative figures.

## **Board of Directors' responsibility for preparation the financial statement**

The Board of Directors has duty to ensure that the financial statement for each financial period is prepared accurately to demonstrate the real aspect of CAMMA and results of its business operation, situation and cash current for the closing financial period. In preparing this report, the Board of Directors has to:

- (1) Implement the proper principle of accounting based on the reasonable and careful analysis and estimate and keep implementing these principles regularly.
- (2) Comply with the accounting principles and guidelines required by NBC and Ministry of Economy and Finance. If the exploration of any real aspect requires other approaches that are different from the previous ones, such new approaches shall clearly demonstrate, explain and determine the volume of variation in the financial statement.
- (3) Maintain the bookkeeping properly and make the internal management effective.
- (4) Preparing the financial statement based on the business sustainability except it is inappropriate to predict that CAMMA may not continue its business operation in the future.
- (5) Monitor and lead CAMMA to be effective in making all decisions which may significantly affect the operation and functioning of CAMMA and must make sure that the contract is shown in the financial statement.

The Board of Directors claims within the preparation of financial statements that CAMMA has implemented all requirements stated above.

Signed for and on behalf of the Board Directors by:

BENSON Samay

President of Board of Directors

Date:.....2011

## DECLARATION OF MANAGEMENT

We, the CEO and Management of CAMMA MICROFINANCE Limited, hereby declare that according to our points of views:

- (1) The result of CAMMA's operation from the financial period of 01 August 2010 to 31 December 2010 was not affected significantly by any factor or business transaction or any event and it also has not been affected during from the closing financial period to the date of making this report except for what have been shown in the financial statement and
- (2) The attached financial statement of CAMMA was prepared to show the real aspects of the company's affairs on 31 December 2010 and the result of business operations and the situation of cash flow within the closing financial period herein stated in accordance with the guidelines introduced by the National Bank of Cambodia and the Cambodian Accounting Standard.

Singed for and on behalf of the Board of Directors by:

BENSON Samay

President of Board of Directors

Date:..... April 2011

DITH Nita

Chief Executive Officer

Date:..... April 2011

# FINANCIAL STATEMENT(Unaudited)

## Balance Sheet

As at 31 December 2010

2010			
	Note	USD	KHR'000
<b>ASSETS</b>			
Cash on Hand		697	2,825
with Central Bank Balance	4	160,100	648,885
Balance with Other Banks	5	4,134	16,755
Loan to Customers	6	140,332	568,766
Other Assets	7	7,363	29,840
sProperty and Equipment	8	<u>11,466</u>	<u>46,473</u>
<b>TOTAL ASSETS</b>		<b>324,092</b>	<b>1,313,544</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Other Liability	9	41	165
Tax Payable	10	<u>13</u>	<u>52</u>
<b>TOTAL LIABILITIES</b>		<b>54</b>	<b>217</b>
<b>EQUITY</b>			
Paid up Capital	11	350,000.00	1,418,550
Loss Current Year /Profit		<u>(25,962)</u>	<u>(105,223)</u>
<b>TOTAL EQUITY</b>		<b>324,038</b>	<b>1,313,327</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>324,092</b>	<b>1,313,544</b>

# Income Statement

As at 31 December 2010

		2010	
	Note	USD	KHR'000
Interest Income	12	5,045	20,447
Interest Expenses		-	-
<b>Net Interest Income</b>		<b>5,045</b>	<b>20,447</b>
Non Interest Income		257	1,041
Non Interest Expense		(90)	(365)
Salary and Other Training Expenses	13	(10,420)	(42,234)
Depreciation Expense	8	(1,396)	(5,657)
Other Operating Expenses	14	<u>(19,323)</u>	<u>(78,314)</u>
<b>Operating Income</b>		<b>(25,927)</b>	<b>(105,081)</b>
Provision for Possible Loan Losses		-	-
Profit before Income Tax		<b>(25,927)</b>	<b>(105,082)</b>
Income Tax Expense	10	<u>(35)</u>	<u>(141)</u>
<b>Profit/ Loss</b>		<b>(25,962)</b>	<b>(105,223)</b>

# Statement of Cash Flows

As at 31 December 2011

		<b>2011</b>	
	<b>Note</b>	<b>USD</b>	<b>KHR'000</b>
<b>Cash Flow from Operating Activities</b>			
Cash Used in Operations		25,96)2(	105,22)3(
Income Tax Paid		-	-
Depreciation on Tangible Assets		1,083	4,390
Depreciation on Intangible Assets		<u>313</u>	<u>1,267</u>
		(24,565)	(99,565)
Loan Advance to Customers		(142,036)	(575,672)
Capital Guarantee with Central Bank		(17,500)	(70928)
Central Bank Deposit with		142,600	577,958
Deposit with Other Banks		4,134	16,755
Other Assets		(1458)	(5,911)
Other Liabilities		<u>54</u>	214
<b>Net Cash Used in Operating Activities</b>		<u>(185,507)</u>	<u>(751,860)</u>
<b>Cash Flow from Investing Activities</b>			
Purchased Office Equipments		(9,862)	(39,971)
Purchased Intangible Assets(MBWin System)		(3,000)	(17,023)
Other Prepayment(Hourse and Telephone)		<u>(4,200)</u>	<u>(17,023)</u>
<b>Net Cash Used in Investing Activities</b>		(17,062)	(69,152)



<b>Cash Flows from Financing Activities</b>		
Financial Borrowings	-	-
Dividend paid	-	-
Capital Shares	<u>350,000</u>	<u>1,418,550</u>
<b>Net Cash Used in Financing Activities</b>	350,000	1,418,550
<b>Cash and Cash Equivalents at the End of the Year</b>	147,431	597,537

## Statement of Capital Shares

As at 31 December 2010

	USD			KHR'000
	Capital Shares	Retained Earning	Total	
July 29 The Beginning Balance -2010	200,000.00	-	200,000.00	810,600
2011 -Dec 29 Capital Shares Increased	150,000.00	-	150,000.00	607,950
Loss Current Year/Profit	<u>-</u>	<u>(25,962)</u>	<u>(25,962)</u>	<u>(105,223)</u>
2010- Dec-31 Balance at Ending	<b>350,000.00</b>	<b>(25,962)</b>	<b>324,038</b>	<b>1,313,327</b>

## NOTE ON FINANCIAL STATEMENT

As at 31 December 2010

### 1. General Information

**CAMMA Microfinance Limited** (hereinafter referred to as “CAMMA”) is a private limited company founded in conformity with the laws of the Kingdom of Cambodia and the provisions of the National Bank of Cambodia. CAMMA was registered with the Ministry of Commerce on 06 April 2010 and obtained the business license as a Microfinance institution from the National Bank of Cambodia on 29 July 2010.

Under the framework of Microfinance license, CAMMA is authorized to grant loans to the people in general both the people who have just created businesses and those who have broaden new businesses, especially the small and medium scale enterprises which are operating within the Kingdom of Cambodia.

CAMMA operates business on one site only at #49, Street 294, Sangkat BeungKeng Kang 1, Khan Chamkar Morn, Phnom Penh, with 11 employees and 3 members of Board of Directors by 31 December 2010.

### 2. Preparation Basis

CAMMA’s financial statement was prepared according to historical cost basis in accordance with the guidelines of the National Bank of Cambodia and the Cambodian Accounting Standard and the norms of microfinance industry. These principles require measurement of financial tools using the reference price with reduction of provision for the decrease in price.

### 3. Key of Accounting Principles

#### (A) Foreign Currency Operation

The assets and liability as currencies different from US dollars must be exchanged for US dollars according to the official exchange rate of the National Bank of Cambodia at the end of the financial period. Every income and expense transaction besides US

dollars must be exchanged for US dollars according to the exchange rate on the date of transaction. The differences between exchange rates must be acknowledged in the income statement.

**(B) Financial Assets**

CAMMA classifies its financial assets as follows: (i) cash and deposit in the bank (ii) loan advance to customers and account receivable (iii) other fixed assets.

**(i) Cash and cash deposited in the bank**

- **Cash and cash equivalent**

Cash and cash equivalent include cash, current account and investment account or term deposit, which usable within the period of less than one month.

	USD	KHR'000
Current account with NBC	142,600	577,957
Current account at ANZ Royal Bank	1,034	4190.56
Investment account at ANZ Bank	<u>3,100</u>	<u>12564.58</u>
<b>Total</b>	<b><u>146,734</u></b>	<b><u>594712.94</u></b>

- **Capital Guarantee with National Bank Cambodia**

The capital guarantee includes reserve fund and the deposits made into the National Bank of Cambodia in compliance with the law on institutions, banks and microfinance institutions. The deposits made under the laws cannot be used for daily operations and they also cannot be considered as part of the equivalent cash in the calculation of the current cash report.

**(ii) Loan advanced to customers**

The loan granted directly in cash by CAMMA to the clients on the set date is classified as loans to customers. The loans advances to customers are recorded according to the loans released. The suspended interest refers to the accrued interest of the released loan.

**(iii) Provision of the doubtful loan**

The provision of the doubtful loan is based on the instructions of the National Bank of Cambodia and it is made to the specific risk on each loan evaluated and classified as normal, doubtful or lost loan regardless of the price of security (except for security as cash.) CAMMA does not have any provision or doubtful loan. According to the instruction of the National Bank of Cambodia, the provision must be classified and rated as follows:

<b>Classification</b>	<b>Overdue</b>	<b>Rate of Provision</b>
Sub standard	- Over thirty (30) days	10%
Doubtful loan	- Over sixty (60) days (loan with due date of less than 1 year) - Over one hundred and eighty (180) days (loan with due date of over one year)	30%
Loan lost	- Over ninety (90) days (loan with due date of less than 1 year) - Over three hundred and sixty (360) days (loan with due date of over one year)	100%

According to the provisions of the National Bank of Cambodia, the overdue loan is determined as the total cost or the overdue interests.

**(iv) Income from interest**

The income made from interest of the loan is recognized on the cash basis.

#### **(v) Record of income from service charges and other incomes**

The income made from fee of the loan contract and commissions are recognized in the result account when all requirements of the operation are met. The service charges and operation fee are recognized as the income at the time of receiving.

#### **(vi) Fixed assets**

The fixed assets are recorded according to the cost price with reduction of accrued depreciation and loss due to the decrease in price. The land can be used without time limit, so it requires no depreciation. The cost price includes expenses which are relative directly to purchase of fixed assets. Every repair and maintenance is recorded in the result account. On the date when the repair and maintenance take place, the endowment for depreciation is calculated by using the method and depreciation rates as follows:

- |                          |                        |
|--------------------------|------------------------|
| - Furniture              | Depreciation of 25%    |
| - Computers and IT tools | Depreciation of 20-50% |
| - Tangible asset         | Depreciation of 25%    |

The remaining prices and period of the assets usable is reviewed and, if necessary, it is regulated at every closing financial period. The assets are examined to determine the losses resulting from decrease in price in case the event or change of event shows that its referring price cannot be recovered.

#### **(vii) Profit Tax**

The profit tax is calculated according to the taxable profit where correction of accounting result for some expenses is made (including operation costs, staff salary, lower or upper depreciation, etc.) in compliance to the fiscal law of the Kingdom of Cambodia. Other taxes besides the profit tax are recorded as operation costs.

**(viii) Profit tax on financial period**

The profit tax on financial period is a tax expected to be paid before the due date and it is calculated according to the applicable tax rate or tax rate applicable on the closing date of the account and the tax regulations payable in reference to the previous dates.

**(ix) Tax in reference to the following financial periods**

The tax in reference to the following financial periods is calculated by using the method of balance sheet based on temporary variation between the reference price of the assets and fixed assets which are reported in the financial statement and the price used in the tax calculation. The price set for tax in reference to the following financial periods is used as a basis for predicting the achievement or payment of the reference price of the assets and fixed assets by using the tax rate applicable on the closing date of account. The active tax in reference to the following financial periods is recognized in the case that it is expected to have taxable profit in the future for paying the active tax in reference to that following financial period. The active tax in reference to the following financial periods is reduced in case the benefit of that tax is no longer expected to be useable.

**(x) Rent complied to operation contract**

The payments made in the framework of the rent according to the operation contract are recorded as equal expenses for the term of the lease.

**(xi) Relative parties**

Each party is recognized as relative party when any party can control or influence another party in making decision on the financial transaction and business operation. In the legal framework on the bank and financial institutions, the definition of relative parties includes any individuals who directly or indirectly own at least 10% of the capital or have the rights to vote and any individuals who take part in the governance, leading, management or internal inspection of the company.

#### 4. Balance with the National Bank of Cambodia

Pursuant to the provisions of the Declaration of the National Bank of Cambodia No. 7-00-06 dated 11 January 2000, revised by the Declaration No. 7-06-209 dated 13 September 2006, CAMMA shall pay to the National Bank of Cambodia the statutory deposit of 5% of the capital and it is eligible for interest. This statutory deposit shall be refunded to CAMMA when the voluntary clearance is made without any liability left. The deposit in Khmer riels shall receive annual interest of a half ( $\frac{1}{2}$ ) of the financing deposit determined by the National Bank of Cambodia, and it is payable within every six months. The statutory deposit in foreign currency shall receive interest of three eighth ( $\frac{3}{8}$ ) of SIBOR in every six months.

	USD	KHR'000
Capital guarantee with NBC	17,500	70,727
Current account with NBC	142,600	577,958
<b>Total</b>	<b>160,100</b>	<b>648,885</b>

#### 5. Balance with Other Banks

	USD	KHR'000
Current account at ANZ Royal	1,034	4,190
Investment account at ANZ Royal	3,100	12,565
<b>Total</b>	<b>4,134</b>	<b>16,755</b>

6. Loans and petty cash to clients (31 December 2010)

Type of Business	Number of Accounts	USD	KHR'000
Agriculture	1	1,500	6,080
Business	17	72,299	293,028
Service	19	65,868	266,963
Transport	-	-	-
Construction	-	-	-
Family	1	665	2,695
Others	-	-	-
<b>Total</b>	<b>38</b>	<b>140,332</b>	<b>568,766</b>

	USD	KHR'000
<b>(A) Analysis according to due date:</b>		
One month	-	-
From one to three months	-	-
From three to six months	-	-
From six to twelve months (6-12 months)	-	-
From twelve to twenty four months (12-24 months)	140,332	568,766
<b>Total</b>	<b>140,332</b>	<b>568,766</b>

<b>(B) Analysis according to type of currency:</b>		
US dollar	140,332	568,766
Riel	-	-

<b>(C) Analysis according to the stay:</b>		
Residence	140,332	568,766

<b>(D) Analysis according to relative party:</b>		
Non-relative party	140,332	568,766



### (C) Analysis according to risk

It is not a high risk 140,332 568,766

### (C) Analysis according to interest rate (one year)

Loans to clients 22.80% -36.00%

## 7. Other Account Receivables

	USD	KHR'000
Interest receivable	1,704	5,911
Advance payment and deposit	4,200	17,023
Other accounts	1,458	6,906
<b>Total</b>	<b>7,362</b>	<b>29,840</b>

## 8. Fixed Assets

### Office equipments in actual prices

	Furniture	Computer and Device	Intangible Asset	USD Total	KHR'000 Total
<b>Cost Price</b>					
01 August 2010	3,415	5,677	3,000	12,092	49,009
Additional purchase	150	620	-	770	3,121
31 December 2010	3,565	6,297	3,000	12,862	52,130
<b>Accrued Depreciation</b>					
31 December 2010	(433)	(650)	(313)	(1,396)	(5,657)
<b>Actual Price</b>					
31 December 2010	3,132	5,647	2,687	11,466	46,473

## 9. Other Fixed Assets

At the end of 2010, CAMMA had only one liability payable, the staff salary tax of US\$ 40.10 which was equivalent to 162,525 Riel.

## 10. Tax Payable

	USD	KHR'000
Balance at the beginning of the financial period	-	-
Provision within the financial period	35	141
Tax paid during the financial period	<u>(22)</u>	<u>(89)</u>
Balance at the end of the financial period	<u>13</u>	<u>52</u>

## 11. Capital

The total registered capital is US\$ 350,000.00 which is divided into 3,500 shares in total, and each share costs US\$100.00.

Capital in 2010	USD	KHR'000
Balance on 29 July 2010	200,000	810,600
Increased capital on 29 December 2010	150,000	607,950
<b>Balance on 31 December 2010</b>	<u><b>350,000</b></u>	<u><b>1,418,550</b></u>

## 12. Interest Income

Type of Income	USD	KHR'000
Income from deposits at other banks	351	1,422
Income from interest of clients' loans	4,694	19,025
<b>Total</b>	<u><b>5,045</b></u>	<u><b>20,447</b></u>

### 13. Salary and expenses for other staff

	USD	KHR'000
Remuneration for meeting of the board	110	446
Staff salary and professional expenses	10,310	41,788
<b>Total</b>	<b>10,420</b>	<b>42,234</b>

### 14. Operation Costs

	USD	KHR'000
<b>Operation cost</b>		
Utility expense	471	1,909
Building rental	9,100	36,882
Expense for installation, repair and maintenance	5,003	20,276
Expense for communication, travel and advertisement	1,811	7,340
Expense for license and other legal services	518	2,098
Patent and other taxes	1,105	4,480
Office supplies	1,075	4,356
Other expenses	240	973
<b>Total</b>	<b>19,323</b>	<b>78,314</b>

### 15. Management of Financial Risk

The guidelines and policies adopted by CAMMA to manage the risk happening in the business are as follows:

#### (A) Operation Risk

Losses arising out of operation risk which may result from the shortage or poor operation of the internal management, human resources and management system that can be prevented through establishing the management of operation risk, inspection and

appropriate report on the business activities made by the management unit and supporting unit which independent from the leaders.

The management of operation risk requires the establishment of clear role structure and method of management for the unit. Each principle and inspection measure must be implemented. These measures include establishment of signing according to the role, determination of strict inspection system, preparation of procedures and references. These approaches must always be inspected to prevent risk on operation and business of CAMMA.

## **(B) Marketing Risk**

### **(i) Foreign currency risk**

Currency risk refers to the risk of changes of financial tools resulting from exchanges of foreign currency. CAMMA is not susceptible to high risk on currency since the most transactions of CAMMA are made in US dollars. The presence of US dollars in frequent business transactions in Cambodia is because it is a currency which is popularly used in Cambodia.

### **(ii) Interest rate risk**

Interest rate risk refers to the loss of net interest income as a result of changes of interest rate and changes of the components of the assets and fixed assets. Interest rate risk is controlled through careful examination of income from investment, marketing prices, cost price of fund and through analysis according to scope of changes of interest rate. The potential of inappropriate decrease in net interest rate resulting from changes is examined by comparing to the level of risk which is deemed acceptable. The leaders believe that the stand of CAMMA is appropriate to reduce the interest rate risk.

**(C) Management of assets**

CAMMA acknowledges the requirements of balance between effectiveness, flexibility and sufficiency when setting the number of capital to be fulfilled and when planning to manage the assets. CAMMA analyzes these requirements through internal evaluation of sufficiency of the capital which has main characteristics as follows (A) consideration of economic condition and provisions on minimum capital regulated by the National Bank of Cambodia, (B) protection of sustainability of business operation in order that CAMMA is able to provide dividend to the shareholders and interest to the related parties and (C) keeping strong foundation of capital to support the business development.



## ខេមា មីក្រូហិរញ្ញវត្ថុ លីមីតធីត

CAMMA MICROFINANCE LIMITED

Opportunity to be entrepreneur



### **Address**

#49, St. 294, Sangkat BeungKeng Kang 1, Khan Chamkar Morn, Phnom Penh

Tel: 023 996 936

Email: [camma.mfi@gmail.com](mailto:camma.mfi@gmail.com)